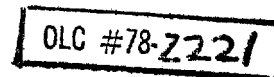


United States Senate

WASHINGTON, D.C. 20510

May 31, 1978



Admiral Stansfield Turner
Director of Central Intelligence
Central Intelligence Agency
Washington, D.C. 20505

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Dear Admiral Turner:

I am very pleased to learn that you are available to testify in our annual hearings on the "Allocation of Resources in the Soviet Union and China." Your appearance is scheduled for Monday, June 26, 1978, at 10:00 a.m. in Room 5302 in the Dirksen Senate Office Building.

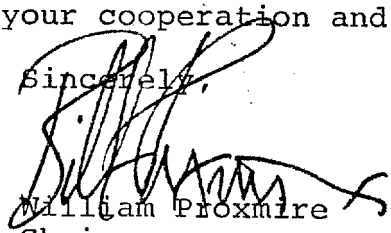
As in the previous hearings on this subject, your testimony will be received in executive session to permit the free exchange of views. The hearings will eventually be published in sanitized form.

The format used in the earlier hearings has worked well and I am agreeable to following it again. We look forward to a comprehensive, concise presentation of economic conditions in the Soviet Union and China, changes since last year's testimony, allocations of resources for both civilian and defense purposes, and prospects.

In order to develop issues of special interest I have prepared a number of specific questions which I have attached to this letter. I would appreciate your incorporating as much of the information requested in your presentation to the Subcommittee. It would be useful for the Subcommittee to have as much of the information as you can provide in advance of the June 26 hearing. This will facilitate better preparation on our part.

I am very grateful for your cooperation and assistance.

Sincerely,


William Proxmire
Chairman

Subcommittee on Priorities and
Economy in Government

SOVIET ECONOMIC PERFORMANCE

1. What are the key variables likely to condition Soviet economic performance to 1990? What is the range of projections from best to worst performance in terms of GNP growth rates?
2. One of the areas of dispute between the CIA and many U.S. non-intelligence and European professionals concerns the certainty of your oil, weather, and manpower utilization factors. This applies to both predictions on natural phenomena (resources, climatic shifts, demographic variations) and also policy options. Is it fair to say that you are now predicting rather than projecting alternatives as in the past? Is this a source of some of the differences of views?
3. We understand that the Soviets are upgrading their effort to "prove out" more West Siberian oil. This appears to be a policy option you did not anticipate. We also understand that you no longer project a 3.5 million barrel rate of hard currency import for the Soviet Union in 1985 as was referenced in the President's energy message. Is this correct? Have you also scaled down your views on cutbacks of deliveries to East Europe?

SOVIET DEFENSE

1. When comparing the costs of the defense establishments of the U.S. and Soviet Union, can you exclude from those comparisons costs of Soviet forces that do not pose a direct threat to us, such as forces arrayed along the China border?
2. What part of the differential between the dollar costs of U.S. and Soviet forces is due to the manpower differences?
3. What do these comparisons, in dollar terms, of U.S. and Soviet defense activities imply about the capabilities of both countries?
4. Do you have benchmarks against which to judge the accuracy of the estimates derived with the "building block" approach? To what extent is Soviet economic data helpful?
5. What is the extent of the Soviet civil defense programs? Please provide a sanitized version of the interagency study of Soviet civil defense for the record.
6. What portion of Soviet forces are allocated against NATO and what is the estimated dollar costs of those forces?
7. Can you estimate the dollar costs of the non-U.S.-NATO forces?
8. How do advanced technology weapon systems such as the anti-satellite and SA-10 influence Soviet defense spending?
9. We understand Soviet troops are often used for civilian construction projects. How is this activity reflected in your estimates of the costs of Soviet defense programs?
10. What is the extent of Soviet foreign military sales to the lesser developed countries?
11. We understand the numbers of young men becoming eligible for service in the armed forces in the Soviet Union are declining. What impact will this have on the armed services?

SOVIET DEFENSE

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12. You forecast a continuing decline in the rate of growth of the Soviet economy, but a continuation of the historic trend in defense spending into the 1980s. Would you elaborate on the reasons for these projections?
13. What is the likely impact of a SALT II agreement on Soviet defense spending? Is such an agreement likely to yield substantial economic benefits?
14. What portion of Soviet POL consumption is accounted for by the military forces and what does this imply about their oil situation?
15.
16. When you have had an opportunity to examine Soviet equipment in general, what improvements have you made to your cost estimates of the equipment? What other insights have resulted from equipment examinations?
17. The Soviets seem to have a number of civilian programs that are designed to aid wartime mobilization and combat readiness. Examples are training of Aeroflot pilots for combat supply missions. How large are the costs of these activities and how are they reflected in your cost estimates?
18. Since your reexamination of your methodology for estimating Soviet defense expenditures, there have been a number of books and articles that continue to criticize your approach. Please summarize these various critiques and your responses for the Committee.
19. Past testimony has indicated that two or more design bureaus often develop and sometimes produce similar models of new weapons, especially missiles and aircraft. This kind of redundancy may also be encouraged by the many industrial groups in the ministries responsible for defense production. Please provide a breakdown of design bureaus and industrial groups showing the names and numbers working on similar or parallel weapons, and the types and names of weapons.

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SOVIET DEFENSE

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20. In last year's hearing General Wilson responded to a number of questions concerning Soviet readiness and alertness levels. In general the Soviets seem to have much lower standards than the U.S. We would like to know your view on this subject, an explanation of the Soviet approach to readiness and alertness, and the cost consequences of the Soviet approach.
21. We understand that last year U.S. military leaders mistook deployment of the Soviet T64 tank for the T72, especially in East Germany. Please discuss this matter and state whether the T72 is now being deployed.
22. Please provide an historical table showing Soviet military manpower levels for each of the past ten years, and deployments in East Europe.

PEOPLE'S REPUBLIC OF CHINA - ECONOMIC PERFORMANCE

AND DEFENSE SPENDING

1. Is the PRC modernizing its armed forces? If so, what is the pace of this effort?
2. The post-Mao leadership appears to give economic modernization and growth high priority. How firm do you believe this commitment to be?
3. Was there really economic disruption under the "gang of four"? What was the correlation between politics, ideology and economics?
4. Will oil developed in China drawing on Western technology become a major factor in the Asian energy scene?
5. Discuss the recent Japanese-Chinese trade agreement and state whether it indicates a significant shift in PRC foreign economic policy?
6. We notice China is buying weapons in Europe. What do you project in this area of arms purchases? Is the United States likely to be an arms salesman to China?
7. Please provide a breakdown of the weapons purchased abroad by China in each of the past three years showing the type of weapon, their costs and the name of the country that sold them.

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26 May 1978

MEMORANDUM FOR: Director of Central Intelligence

FROM : Richard Lehman
Associate Director-Substantive Support
National Foreign Assessment Center

5 JUN 1978

SUBJECT : Biweekly Report

25X1 1. The D/OER will be the CIA member on the Interagency Working Group -- chaired by [] -- that will prepare a PRM on long-term national security strategy on oil prices. The Working Group is part of a Task Force formed at Dr. Brzezinski's request and chaired by Dr. Schlesinger. CIA will chair the subgroup on the economic impact of oil price increases.

2. The DD/OER participated in a seminar on the outlook for the Israeli economy sponsored by the Georgetown Center for Strategic and International Studies. Other participants included Israel's Minister of Transportation and Communications, the Israeli Ambassador, and Dr. Kissinger.

25X1 3. A briefing on OER's update of the world oil situation was given by the D/OER and [] to the Senate Select Committee on Intelligence.

25X1 4. In London next week [] will present a paper, "Prospects for Soviet Oil," to the privately sponsored International Conference of Petroleum Investment Analysts whose organizers are aware of his Agency affiliation and will make no attempt to conceal it. Arrangements for this session have entailed extensive coordination []

25X1 5. OER furnished a copy of our note for the DCI on Soviet activities in the Free World Cobalt market, to use in their paper for the President on this subject.

25X1 6. In preparation for the annual presentation to the Joint Economic Committee on the Communist economies, [] Chief of USSR Division, and [] Chief of China Division, together

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*Need to discuss soon -
start studying pls -*

with the Congressional Support Staff, met with Committee Chief Counsel Richard Kaufman late last week to sort out assignments. The DCI's briefing of the Committee is scheduled for 26 June.

25X1 7. [] professor [] met with the members of the ORPA Cuban Analytic Center on 17 May for a general discussion of Cuban-Soviet political and economic relations. [] is one of the experts on this subject in academia. He had read about the Center in the recent New York Times item, knew our economist, [] and called [] for an appointment. 25X1

25X1 10. The East-West Issues Study, which was requested by the NATO summit a year ago and which has required substantial inputs of resources from NFAC and the NIOs for WE and USSR since then, was completed in Brussels on 22 May. The study will be major item on the agenda of the NATO summit that begins on 30 May. 25X1

[]
Richard Lehman

*I'd like to keep
abroad*

Request

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Remarks: To 4: See DCI's notes on your Biweekly Report of 26 May re need to discuss soon.

Executive Secretary
6 Jun 78
Date

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